

Message Text

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73

ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AGR-20 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-09 NSAE-00 RSC-01 CIEP-02

STR-08 TRSE-00 LAB-06 SIL-01 SAL-01 OMB-01 L-03 H-02

PA-03 PRS-01 USIA-12 RSR-01 /144 W

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R 141800 Z MAR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 4871

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS UNN

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PASS AGRICULTURE

E. O. 11652: NA

TAGS: EAGR EEC

SUBJECT: NEW METHOD OF CALCULATING MONETARY AMOUNTS UNDER
THE CAP

REF: (A) EC BRUSSELS 0810; (B) FASTO 22; (C) EC BRUSSELS 1324

1. SUMMARY. EFFECTIVE MARCH 1, THE COMMISSION HAS CHANGED THE
METHOD OF CALCULATING AND FIXING THE MONETARY COMPENSATORY
AMOUNTS (AS DISTINCT FROM THOSE REQUIRED BY EC ENLARGEMENT).
THE NEW METHOD, PUBLISHED ON MARCH 14, HAD CAUSED
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CONSIDERABLE CONFUSION IN THE TRADE AND RAISED THE QUESTION WHETHER THE CAP' S COMMON PRICE SYSTEM CAN SURVIVE UNDER CONDITIONS OF FREQUENT CHANGES AND WIDE FLUCTUATIONS IN EXCHANGE RATES. END SUMMARY.

2. EFFECTIVE MARCH 1, THE COMMISSION HAS CHANGED THE METHOD OF CALCULATING AND FIXING THE MONETARY COMPENSATORY AMOUNTS. IT NO LONGER CALCULATES THESE COMPENSATORY AMOUNTS BUT ESTABLISHES ONLY CERTAIN PARAMETERS WHICH IT TRANSMITS TO THE MEMBER STATES. ON THE BASIS OF THESE DATA, THE AUTHORITIES IN EACH MEMBER STATE ARE SUPPOSED TO CALCULATE AND PUBLISH THE MONETARY COMPENSATORY AMOUNTS. THE PRINCIPLES ON WHICH THESE COMPENSATORY AMOUNTS ARE BASED REMAIN UNCHANGED. AS WILL BE RECALLED, THEY HAVE THE PURPOSE OF OFFSETTING (" COMPENSATING") THE DEVIATION OF THE MEMBER STATES' ACTUAL EXCHANGE RATES FROM THE FIXED RATES IN TERMS OF WHICH THE CAP PRICES WERE ORIGINALLY CALCULATED. FOLLOWING THE MOST RECENT MONETARY DECISIONS (REF C), THE NEW METHOD OF CALCULATING MONETARY COMPENSATORY AMOUNTS WILL HAVE TO BE FURTHER MODIFIED.

3. THE REASONS FOR CHANGING THE METHODS OF CALCULATING AND FIXING THE MONETARY COMPENSATORY AMOUNTS ARE TWO FOLD: ON THE ONE HAND THE COMMISSION SERVICES ARE NO LONGER ABLE TO CHANGE THESE COMPENSATORY AMOUNTS AS FAST AS THE MEMBER STATES EXCHANGE RATES CHANGE. ON THE OTHER HAND, THE COMMISSION IS FEARFUL THAT THE PAST PRACTICE OF SETTING COMPENSATORY AMOUNTS IN BRUSSELS COULD MAKE THE COMMISSION LIABLE TO MANY LAW SUITS, SINCE THESE COMPENSATORY PAYMENTS WERE OFTEN INCORRECTLY CALCULATED AND ALWAYS TARDILY PUBLISHED.

4. THE RECENT MONTHS THE COMMISSION HAS BECOME INCREASINGLY INCAPABLE OF KEEPING ABREAST OF THE FREQUENT CHANGES IN THE EXCHANGE RATES OF THE MEMBER STATES CURRENCIES. EACH CHANGE OF MORE THAN ONE PERCENT IN A MEMBER STATE' S EXCHANGE RATE REQUIRES THE RECALCULATION OF COMPENSATORY AMOUNTS FOR SEVERAL THOUSAND TARIFF POSITIONS. THUS THE LATEST CHANGES COMPUTED BY THE COMMISSION SERVICES, WHICH WERE TO BECOME EFFECTIVE ON FEBRUARY 7, FILLED ABOUT 100 PAGES OF THE OFFICIAL JOURNAL NO. L-52. MANY PAGES OF THIS JOURNAL CONTAINED UP TO 300 DIFFERENT COMPENSATORY AMOUNTS. THE TELEX IN WHICH THE COMMISSION INFORMED THE MEMBER STATES OF THESE CHANGES WAS REPORTEDLY ABOUT 48 METERS LONG. YET LIMITED OFFICIAL USE

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THESE COMPENSATORY AMOUNTS WERE OUTDATED EVEN BEFORE THEY

WERE PUBLISHED.

5. THE COMMISSION SERVICES ARE ALSO AWARE THAT SOME OF THESE COMPENSATORY AMOUNTS WERE CALCULATED EITHER ARBITRARILY, OR INCORRECTLY, PARTICULARLY AS REGARDS THE MONETARY COMPENSATORY AMOUNTS ADDED TO, OR SUBTRACTED FROM, THE TRANSITIONAL COMPENSATORY AMOUNTS WHICH GOVERN THE TRADE IN CAP PRODUCTS OF THE NEW MEMBER STATES.

6. THE CONFUSION CREATED BY THE NEW METHOD OF FIXING MONETARY COMPENSATORY AMOUNTS HAS BEEN FURTHER COMPOUNDED BY THE FACT THAT DURING THE TWO- WEEK PERIOD MARCH 5 - MARCH 16, THE COMMUNITY' S MONEY MARKETS HAVE BEEN CLOSED AND THERE ARE NO REPRESENTATIVE EXCHANGE RATES FROM WHICH THE MONETARY COMPENSATORY AMOUNTS UNDER THE CAP CAN BE DERIVED. REPORTEDLY, TRADE IN FARM PRODUCTS HAS THEREFORE LARGELY COME TO A STANDSTILL. IN VIEW OF THIS SITUATION SEVERAL LEADING EUROPEAN PAPERS (FINANCIAL TIMES, FRANKFURTER ALLGEMEINE, ZEITUNG) SPOKE RECENTLY OF A BREAKDOWN OF THE COMMON AGRICULTURAL MARKET. THE MISSION DOES NOT SHARE THIS VIEW. WE BELIEVE THAT THE CAP WILL CONTINUE BUT THE IDEA OF A COMMON PRICE SYSTEM HAS BECOME INCREASINGLY FICTITIOUS AND CAN ONLY BE SUSTAINED WITH THE HELP OF AN EXTREMELY CUMBERSOME AND COMPLEX COMPENSATORY SYSTEM WHICH ATTEMPTS TO OVERCOME THE DISRUPTION OF THE COMMON PRICE SYSTEM.

7. THE NEW METHOD OF CALCULATING AND FIXING MONETARY COMPENSATORY AMOUNTS, WHICH THE COMMISSION SERVICES CALL " A SIMPLIFIED METHOD," HAS CAUSED ADDITIONAL CONFUSION. THE NEW FORMULA DEVISED BY THE COMMISSION SERVICES IS NOT FULLY UNDERSTOOD BY THE TRADE AND DOES NOT, MOREOVER, ALWAYS YIELD THE DESIRED RESULTS. IT IS THERFORE MORE THAN QUESTIONABLE WHETHER THE MEMBER STATES' AUTHORITIES WILL BE ABLE TO APPLY THE NEW SYSTEM IN A CONSISTENT WAY.

8. THE MAINTENANCE OF THE COMMON PRICE SYSTEM WILL BE STILL MORE DIFFICULT IN VIEW OF THE RECENT DECISIONS FOR A JOINT FLOAT BY SOME MEMBER STATES AS WELL AS THE REEVALUATION OF THE DM.

9. AN AIRGRAM EXPLAINING THE NEW METHOD OF CALCULATING THE LIMITED OFFICIAL USE

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NEW TECHNIQUE OF FIXING MONETARY COMPENSATORY AMOUNTS IS BEING PREPARED.
GREENWALD

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*** Current Classification *** LIMITED OFFICIAL USE

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